
State:	District of Columbia	Filing Company:	Markel Insurance Company
TOI/Sub-TOI:	05.0 CMP Liability and Non-Liability/05.0002 Businessowners		
Product Name:	Businessowners		
Project Name/Number:	BP-2019-RLA1/BP-2019-RLA1		

Filing at a Glance

Company:	Markel Insurance Company
Product Name:	Businessowners
State:	District of Columbia
TOI:	05.0 CMP Liability and Non-Liability
Sub-TOI:	05.0002 Businessowners
Filing Type:	Rate
Date Submitted:	01/16/2020
SERFF Tr Num:	MRKB-132203490
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	BP-2019-RLA1
Effective Date	08/01/2020
Requested (New):	
Effective Date	08/01/2020
Requested (Renewal):	
Author(s):	Kristin Peyton
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

State: District of Columbia **Filing Company:** Markel Insurance Company
TOI/Sub-TOI: 05.0 CMP Liability and Non-Liability/05.0002 Businessowners
Product Name: Businessowners
Project Name/Number: BP-2019-RLA1/BP-2019-RLA1

General Information

Project Name: BP-2019-RLA1 Status of Filing in Domicile: Authorized
Project Number: BP-2019-RLA1 Domicile Status Comments:
Reference Organization: ISO Reference Number: BP-2019-RLA1
Reference Title: Advisory Org. Circular: LI-BP-2019-146
Filing Status Changed: 01/16/2020
State Status Changed: Deemer Date:
Created By: Kristin Peyton Submitted By: Kristin Peyton
Corresponding Filing Tracking Number:

Filing Description:

Markel Insurance Company wishes to file to adopt the captioned ISO reference documents filed for use with Division Ten, Businessowners. However, we would like to submit the revision with a different effective date than the effective date submitted by ISO.

- ISO reference number: BP-2019-RLA1 (Rate)

We trust you will find this submission in order. We wish to utilize this filing for all policies effective on and after August 1, 2020. Should you have any questions or require additional information please contact Kristin Peyton (800) 431-1270 ext. 118822 by email Kristin.peyton@markelcorp.com or by mail at the above address.

Company and Contact

Filing Contact Information

Kristin Peyton, Senior Regulatory Compliance Specialist
4600 Cox Road
Glen Allen, VA 23060
Kristin.Peyton@Markel.com
804-217-8822 [Phone]
804-527-7900 [FAX]

Filing Company Information

Markel Insurance Company	CoCode: 38970	State of Domicile: Illinois
4600 Cox Road	Group Code: 785	Company Type: Commercial
Glen Allen, VA 23060	Group Name:	Property & Casualty
(800) 431-1270 ext. [Phone]	FEIN Number: 36-3101262	State ID Number:

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:

SERFF Tracking #:	MRKB-132203490	State Tracking #:		Company Tracking #:	BP-2019-RLA1
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State:	District of Columbia	Filing Company:	Markel Insurance Company		
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Rate Information

Rate data applies to filing.

Filing Method:	File and Use
Rate Change Type:	Decrease
Overall Percentage of Last Rate Revision:	1.000%
Effective Date of Last Rate Revision:	07/01/2019
Filing Method of Last Filing:	File and Use
SERFF Tracking Number of Last Filing:	MRKB-131723565

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Markel Insurance Company	-4.600%	-4.600%	\$-315	3	\$6,855	0.000%	0.000%

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Supporting Document Schedules

Bypassed - Item:	Consulting Authorization
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Certification (P&C)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Comments:	
Attachment(s):	DC 5yr - MIC BOP.pdf
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Support Exhibits
Comments:	
Attachment(s):	DCrfaf-MIC BOP.pdf Expense-MIC.pdf Investment-MIC.pdf
Item Status:	
Status Date:	

Markel Insurance Company
 Businessowners
 01/01/2015 to 12/31/2019
 Policy Summary

District of Columbia

Policy Year	Written Premium	Loss Ratio	# of Policyholders
2015	0	0.00	0
2016	0	0.00	0
2017	0	0.00	0
2018	2,049	0.38	1
2019	4,806	0.00	2
Totals:	6,855	0.11	3

Countrywide

Policy Year	Written Premium	Loss Ratio	# of Policyholders
2015	942,643	0.27	717
2016	1,346,483	1.24	995
2017	4,043,697	0.23	3,076
2018	9,011,381	0.51	6,725
2019	13,731,087	0.38	10,461
Totals:	29,075,291	0.44	21,974

Date: January 16, 2020

Space Reserved for Insurance
Department Use

**INSURER RATE FILING
ADOPTION OF ADVISORY ORGANIZATION
PROSPECTIVE LOSS COSTS
REFERENCE FILING ADOPTION FORM**

1. INSURER NAME Markel Insurance Company
ADDRESS 4600 Cox Rd
Glen Allen, VA 23060

PERSON RESPONSIBLE FOR FILING Kristin Peyton

TITLE Sr Regulatory Compliance Specialist

TELEPHONE # (800) 431-1270, ext. 8822

2. INSURER NAIC # 785-38970
3. LINE OF INSURANCE Businessowners
4. ADVISORY ORGANIZATION ISO
5. ADVISORY ORGANIZATION REFERENCE FILING # BP-2019-RLA1

6. The above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files to be deemed to have independently submitted as its own filing the prospective loss costs in the captioned Reference Filing.

The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

7. PROPOSED RATE LEVEL CHANGE (4.6) % EFFECTIVE DATE August 1, 2020
8. PRIOR RATE LEVEL CHANGE 1.0 % EFFECTIVE DATE July 1, 2019
9. ATTACH "SUMMARY OF SUPPORTING INFORMATION FORM"
(Use a separate Summary for each insurer-selected loss cost multiplier.)

10. CHECK ONE OF THE FOLLOWING:



The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and, if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or amended or withdrawn by the insurer.



The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

Insurer Name: Markel Insurance Company
NAIC Number: 785-38970

Date: January 16, 2020

**DISTRICT OF COLUMBIA
INSURER RATE FILING
ADOPTION OF ADVISORY ORGANIZATION PROSPECTIVE LOSS COSTS
SUMMARY OF SUPPORTING INFORMATION FORM**

CALCULATION OF COMPANY LOSS COST MULTIPLIER

1. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies:
Businessowners

2. Loss Cost Modification:

A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:
(CHECK ONE)

- ☒ Without modification. (factor = 1.000)
☐ With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.)

B. Loss Cost Modification Expressed as a Factor:
(See examples below.)

1.000

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED, ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 3 -7 BELOW.

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

	Selected Provisions	
A. Total Production Expense	<u>17.4</u>	%
B. General Expense	<u>17.5</u>	%
C. Taxes, Licenses & Fees	<u>2.5</u>	%
D. Profit & Contingencies	<u>2.0</u>	%
E. Credit for Investment Income*	<u></u>	%
F. Other (explain)	<u></u>	%
G. TOTAL	<u>39.4</u>	%

* Include as an offset, or explain how investment income is taken into account

4A. Expected Loss Ratio: $ELR = 100\% - 3G =$ 60.6 %
4B. ELR in decimal form = 0.606

5. Company Formula Loss Cost Multiplier: $(2B \div 4B) =$ 1.650

6. Company Selected Loss Cost Multiplier = 1.650
Explain any differences between 5 and 6:

7. Rate Level change for the coverages to which this page applies: (4.6) %

Example 1: Loss Cost modification factor: If your company's loss cost modification is - 10%, a factor of .90 (1.000 -.100) should be used.

Example 2: Loss Cost modification factor: If your company's loss cost modification is + 15%, a factor of 1.15 (1.000 +.150) should be used.

Markel Insurance Company
Expense Exhibit
Countrywide - Commercial Multi-Peril

<u>Year</u>		<u>Written Premiums</u>	<u>Commissions and Brokerage</u>	<u>Other Acquisition Costs</u>	<u>General Expenses</u>	<u>Taxes, Licenses and Fees</u>	<u>Total</u>
2014*	Actual:	\$107,741,000	\$21,763,000	\$599,000	\$21,726,000	\$1,775,000	\$45,863,000
	Ratio:		20.20%	0.56%	20.17%	1.65%	42.57%
2015*	Actual:	\$109,150,000	\$17,019,000	\$575,000	\$20,904,000	\$2,864,000	\$41,362,000
	Ratio:		15.59%	0.53%	19.15%	2.62%	37.89%
2016*	Actual:	\$116,293,000	\$16,798,000	\$584,000	\$20,965,000	\$3,650,000	\$41,997,000
	Ratio:		14.44%	0.50%	18.03%	3.14%	36.11%
2017*	Actual:	\$140,290,000	\$25,181,000	\$350,000	\$20,454,000	\$4,038,000	\$50,023,000
	Ratio:		17.95%	0.25%	14.58%	2.88%	35.66%
2018*	Actual:	\$150,060,820	\$26,381,021	\$751,268	\$26,820,387	\$4,370,974	\$58,323,649
	Ratio:		17.58%	0.50%	17.87%	2.91%	38.87%
<u>Total</u>							
	Actual:	\$623,534,820	\$107,142,021	\$2,859,268	\$110,869,387	\$16,697,974	\$237,568,649
	Ratio:		17.18%	0.46%	17.78%	2.68%	38.10%
<i>Selected</i>			<i>17.00%</i>	<i>0.40%</i>	<i>17.50%</i>	<i>2.50%</i>	<i>37.40%</i>

* Actual IEE data

Markel Insurance Company

Estimated Investment Earnings on Unearned Premium Reserves and on Loss Reserves - 2018

Preview Investment Income Method

Commercial Multi-Peril

A.	Unearned Premium Reserve		
1.	Direct Earned Premium for 2018		148,963,972
2.	Mean Unearned Premium Reserve (1) x 45.9%		68,374,463
3.	Deduction for Prepaid Expense		
	Commission and Brokerage Expense	17.0%	
	50% of Acquisition Expense	0.2%	
	50% of General Expense	8.8%	
	Taxes, Licenses and Fees	2.5%	
	Total		28.5%
4.	Deduction for Federal Taxes Payable		4.2%
5.	Subtotal (2) x [(3) + (4)]		22,324,262
6.	Net Subject to Investment (2) - (5)		46,050,201
B.	Delayed Remission of Premium (Agent's Balances)		
1.	Direct Earned Premium for 2018		148,963,972
2.	Average Agents Balance	7.02%	
3.	Delayed Remission (1) x (2)		10,457,271
C.	Loss Reserve		
1.	Direct Earned Premium for 2018		148,963,972
2.	Expected Incurred Losses and Loss Adjustment Expenses		
	(1) x 62.6%		93,251,447
3.	Expected Mean Loss Reserves (2) x 1.450		135,214,597
D.	Net Subject to Investment (A.6) - (B.3) + (C.3)		170,807,528
E.	Average Rate of Return		3.21%
F.	Investment Earnings on Net Subject to Investment (D) x (E)		5,485,534
G.	Average Rate of Return as a Percent of Direct Earned Premium (F) ÷ (A.1)		3.68%
H.	Average Rate of Return as a Percent of Direct Earned Premium		
	After Federal Income Taxes (G) x 89.6%		3.30%

Markel Insurance Company

Estimated Investment Earnings on Unearned Premium Reserves and on Loss Reserves - 2018

Preview Investment Income Method

Commercial Multi-Peril

Explanatory Notes

Line A.1

Direct earned premiums are the earned premiums for all lines of insurance for the latest year

Line A.2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the countrywide ratio of the direct mean unearned premium reserve to the countrywide direct earned premium as shown below.

1. Direct Earned Premium for 2018	148,963,972
2. Direct Unearned Premium reserve as of 12/31/18	68,869,549
3. Direct Unearned Premium reserve as of 12/31/17	67,772,702
4. Mean Unearned Premium Reserve [(2) + (3)] ÷ 2	68,321,126
5. Ratio (4) ÷ (1)	45.9%

Line A.3

Deductions for prepaid expense are taken because production costs and a significant portion of other company expenses in connection with the writing and handling of insurance policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by the use of the provisions selected for use in our ratemaking procedures.

Line A.4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 21%, this tax equals 4.2% ($0.2 \times 0.21 = 0.042$) of the unearned premium reserve.

Line B.2

The deduction for the delayed remission of premium is necessary because of the delay in collection and remission of premium to the company beyond the effective date of the policy. Funds for the unearned premium reserve required during the initial days of most policies must be taken from the company surplus.

Agents' balances or uncollected premiums due less than 90 days amount to 7.02% of net earned premiums as shown below.

1. Net Earned Premium for 2018	592,153,763
2. Net Agents's Balances as of 12/31/18	31,647,753
3. Net Agents's Balances as of 12/31/17	51,452,198
4. Mean Agents' Balances [(2) + (3)] ÷ 2	41,549,976
5. Ratio (4) ÷ (1)	7.02%

Markel Insurance Company

Estimated Investment Earnings on Unearned Premium Reserves and on Loss Reserves - 2018

Preview Investment Income Method

Commercial Multi-Peril

Explanatory Notes

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provision used in the filing.

Line C-3

The expected mean loss reserve is determined by multiplying the expected incurred losses from line C.2 by the average countrywide ration of the mean loss and loss adjustment expenses to the incurred losses and loss adjustment expenses in the latest three available calendar years.

1. Incurred losses and LAE for 2018	142,793,464
2. Loss and LAE Reserves as of 12/31/18	243,716,764
3. Loss and LAE Reserves as of 12/31/17	183,043,061
4. Mean Loss Reserve 2018 $[(2) + (3)] \div 2$	213,379,913
5. Ratio (4) \div (1)	1.494
6. Estimated Reserve Discount	0.14
7. Federal Taxes Payable (ratio to reserve) (6) \times 0.21	0.029
8. (5) \times [1.0 - (7)]	1.450

Line E

The rate of return is the ration of net investment income earned to mean cash and investment assets for Markel Insurance Company as follows:

	Net Investment Income	Mean Cash and Invested Assets	Rate of Return
<u>Year</u>	<u>Earned</u>		
2018	60,397,972	1,880,660,693	3.21%

Markel Insurance Company

Estimated Investment Earnings on Unearned Premium Reserves and on Loss Reserves - 2018

Preview Investment Income Method

Commercial Multi-Peril

Explanatory Notes

Line H

The average rate of federal income tax was determined by applying current tax rates to the distribution of investment income earned 2018.

		Investment Income	Tax Rate	Income Tax
1	U.S. Government Bonds	4,106,234	21.0%	862,309
1.1	Bonds exempt from U.S. Tax	12,115,299	0.0%	-
1.2	Other Bonds (Unaffiliated)	16,665,236	21.0%	3,499,700
1.3	Bonds of Affiliates	-	21.0%	-
2.1	Preferred Stocks (Unaffiliated)	-	7.4%	-
2.11	Preferred Stocks of affiliates	-	0.0%	-
2.2	Common Stocks (Unaffiliated)*	5,688,516	7.4%	418,584
2.21	Common Stocks of affiliates	-	-	-
3	Mortgage Loans	-	21.0%	-
4	Real Estate	-	21.0%	-
6	Cash, cash equivalents & short-term investments	1,092,554	21.0%	229,436
7	Derivative Instruments	-	21.0%	-
9	Aggregate write-in for investment income	12,810	21.0%	2,690
10	Totals	42,244,849	11.87%	5,012,719
11	Deduction for Investment Expense	(5,811,929)	21.0%	(1,220,505)
12	Net Investment Income	36,432,920	10.41%	3,792,214

* Only 30 % of dividend income is subject to a full income tax rate of 21%. Assume 48% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 21%. The applicable tax rate is thus: 7.4% $((0.30 \times 0.21) + (0.48 \times 0.70 \times 0.15 \times 0.21) = 0.074)$.

Markel Insurance Company
2018 Calculation of the Profit Provision
Commercial Multi-Peril

The target rate of return of 14% is required to attract investors and has been determined by a comparison of the rates of returns of companies we consider to be our peers. The comparison is attached.

1	Target Rate of Return on Surplus		0.140
2a	Surplus as regards policyholders 2018	1,192,400,696	
2b	Premiums 2018	592,153,763	
3	Premium to Surplus Ratio 2b ÷ 2a		0.497
4	After Tax Ratio of Investment Income from Reserves to Surplus Line H x Line 3		0.016
5	After Tax Ratio of Investment Income from Surplus to Surplus Line E x Note H		0.029
6	After Tax Ratio of Underwriting Profit to Surplus Line 1 - (Line 4 + Line 5)		0.095
7	Pre-Tax Ratio of Underwriting Profit to Surplus Line 6 / (1 - 0.21)		0.120
8	Pre-Tax Ratio of Underwriting Profit to Premium Line 7 / Line 3		0.242
9	Selected Profit Provision		0.020